

Approved For Release 2002/01/10 : CIA-RDP78B00144R000800140020-0

TO:		OLC Attn: [REDACTED]
ROOM NO.	BUILDING	[REDACTED]
REMARKS:		
Per our phone conversation.		
FROM:		James H. Taylor, Deputy Compt.
ROOM NO.	BUILDING	EXTENSION

STATINTL

Per our phone conversation.

FROM: James H. Taylor, Deputy Compt.

ROOM NO.	BUILDING	EXTENSION
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(47)

FORM NO. 241
1 FEB 55

**REPLACES FORM 36-8
WHICH MAY BE USED.**

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Approved For Release 2002/01/10 : CIA-RDP77M00144R000800140020-0

OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Comptroller		
2			
3			
4			
5			
6			
ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	

Remarks:

Attached is a draft letter of our views on S. 653, a bill by Senator Proxmire which would authorize GAO, at the request of the congressional committees with legislative oversight of CIA, to audit any account or operation of the Agency. Please give me your views on the letter, and any additional arguments you can think of to oppose the bill, by April 11.



STATINTL !

Assistant Legislative Counsel

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.

DATE

OLC

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6136/9227

4/3/75

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FORM NO.
1-67

237 Use previous editions

(40)

75-0480

DRAFT:DFM:cg (3 Apr 75)

Honorable Abraham A. Ribicoff, Chairman
 Committee on Government Operations
 United States Senate
 Washington, D. C. 20515

Dear Mr. Chairman:

I understand that S. 653, introduced on February 11 by Senator Proxmire, has been referred to the Committee on Government Operations for consideration. This bill would require those congressional committees with legislative oversight of the intelligence agencies to require the General Accounting Office to audit the accounts and operations of the intelligence agencies. The legislation states this audit shall be conducted notwithstanding

the provision of section 8(b) of the Central Intelligence Agency Act of 1949

(50 U.S.C. 403). Because this bill would have a serious [detrimental] effect on the Central Intelligence Agency, I am taking the liberty of writing to you

to express my concern.

The mission of the CIA is intimately connected with my duty to protect sources and methods from unauthorized disclosure.

* Section 102(d)(3) of the National Security Act of 1947 (50 U.S.C. 403)

charges the Director of Central Intelligence with protecting Intelligence Sources and Methods from unauthorized disclosure. This responsibility stems from the realization that protection of these sources and methods is vital to the accomplishment of CIA's mission of providing first-rate finished intelligence to the nation's policy makers. One of the key statutory tools assisting the Director in protecting sources and methods is section 8,

With copy
When finished

This tool insures bluntly
[which] would be [severely eroded] by enactment of S. 653. Section 8(b) states:

"(b) The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

The importance of this section was acknowledged by Lindsay C. Warren, Comptroller General at the time the CIA Act was before Congress. A letter dated March 12, 1948, from Mr. Warren to the Director of the Bureau of the Budget, addressed this confidential funds authority. Mr. Warren wrote that while this authority provided "for the granting of much wider authority than I would ordinarily recommend for Government agencies, generally, the purposes sought to be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein." He further stated that the "necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in Section 102(d) 3 of Public Law 253, that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure." Under

these conditions, he stated, "I do not feel called upon to object to the proposals advanced..."

*as background, it is noteworthy to note that
GAO began auditing the vouchered accounts of this Agency in 1949.
7 year has right and although it was
mainly restricted to vouchered funds.*

This was the same audit GAO conducted of other federal agencies. In the 1950's, however, GAO instituted the comprehensive audit, the purpose of

which was to examine all agency financial transactions, as well as to evaluate use the utilization of property and personnel, and the effectiveness and economy of the conduct of agency programs. Through negotiations between CIA and GAO,

An expanded audit by GAO was instituted in 1959, but one which fell short of the includ.
full comprehensive audit in that it did not encompass the most sensitive agency accounts and operations. During these negotiations, the Comptroller General

again expressed his support for Section 8(f), *in recognition of the importance of the Director's responsibility for protection of military security information.*

This arrangement was maintained until 1962. Despite the urging to the contrary of the Director of Central Intelligence (Mr. McCone) and Chairman of the Committee on Armed Services of the House of Representatives (Mr. Vinson), GAO recommended that their audit be discontinued, stating their view that GAO did "not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress." The Director and Mr. Vinson reluctantly agreed. As a result of the GAO desire to discontinue its audit, the Agency established additional internal audit and review procedures. These follow exactly the same procedures and techniques that GAO employs and are still carried out today! (?)

I believe an unfettered section 8(b) is essential to my ability to protect present Intelligence Sources and Methods. ~~and~~ It is critical to this Agency's ability to attract ~~new~~ sources of information. A foreigner who cooperates with us may stand in danger of losing his life, ^{loss of livelihood, his freedom, or even his} should our relationship become known. Most Americans who cooperate with us also desire confidentiality. We have always been able to assure those who assist us that no one outside CIA will have access to their records, and that only the absolute minimum number of Agency employees will know of the relationship. I believe the revelation that non-Agency auditors could gain access to their names or records ^{of these people, would} might well discourage many of these people from future cooperation, ^{it} and would certainly affect the assurance we could, in good faith, provide. We have already lost some cooperation, due to the fear of disclosure evoked by the recent plethora of leaks and allegations about CIA activities.

From
P.3

The decision of the Comptroller General to discontinue the audit of Agency activities was received with considerable reservation within CIA. We have always felt that an arrangement could be reached which would comport with GAO audit requirements and at the same time avoid endangering Intelligence Sources and Methods, which I have a statutory duty to protect. However, I must oppose any legislation, including S. 653, which would authorize any additional access to our most sensitive records.

Sincerely,

W. E. Colby
Director

94TH CONGRESS
1ST SESSION

S. 653

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1975

Mr. PROXMIRE introduced the following bill; which was read twice and referred to the Committee on Government Operations

A BILL

To amend the Budget and Accounting Act, 1921, to provide for audits by the General Accounting Office of expenditures by intelligence agencies of the Government and for reports thereon to certain committees of the Congress.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 *That the Budget and Accounting Act, 1921 (31 U.S.C.*
4 *41 et seq.) is amended by adding at the end thereof the*
5 *following new section:*

6 “SEC. 320. (a) Notwithstanding the provisions of sec-
7 tion 8(b) of the Central Intelligence Agency Act of 1949
8 (50 U.S.C. 403j(b)) or of any other provision of law, the
9 accounts and operations of each intelligence agency of the

- 1 Government shall be audited pursuant to the provisions of
2 this section and under such rules and regulations as may be
3 prescribed by the Comptroller General. For purposes of
4 this subsection, the term 'intelligence agency' means the
5 Central Intelligence Agency, the Defense Intelligence
6 Agency, the National Security Agency, the Intelligence
7 and Research Bureau of the Department of State, and the
8 intelligence components of the Department of the Treasury,
9 the Department of the Army, the Department of the Navy,
10 the Department of the Air Force, the Energy Research and
11 Development Administration, and the Federal Bureau of
12 Investigation. Such term also includes any successor agency
13 or component to any of the agencies or components named
14 in the preceding sentence.
- 15 "(b) The Comptroller General shall arrange for security
16 clearances of such officers and employees of the General Ac-
17 counting Office as may be necessary to carry out the pro-
18 visions of this subsection, and the intelligence agencies shall
19 give the highest priority to processing such clearances.
- 20 "(c) The head of each intelligence agency shall cooper-
21 ate with the Comptroller General and the officers and em-
22 ployees assigned by him in carrying out the provisions of
23 this subsection.
- 24 "(d) At the request of any committee of the Senate or
25 the House of Representatives, or any joint committee of the

1 Congress, which has legislative jurisdiction over any intelli-
2 gence agency or the appropriation of funds therefor, or of
3 any subcommittee of any such committee or joint committee
4 to which such jurisdiction has been delegated by such com-
5 mittee or joint committee, the Comptroller General shall
6 (A) submit to such committee, joint committee, or sub-
7 committee a report of any audit of the accounts and opera-
8 tions of such intelligence agency conducted pursuant to this
9 subsection, and (B) conduct an audit pursuant to this subsec-
10 tion of such accounts and operations of such intelligence
11 agency as may be requested and submit a report thereon to
12 such committee, joint committee, or subcommittee.”.

and upon any information obtained at the several
intelligence agencies and reporting such to the Congress, to
certify that such information is true and reliable, and to make
such disclosure of intelligence and political activities, if in their
judgment it may be of value and of interest and no profit
will be derived therefrom, to the Government of India (L) - 3
make the same uniform and in plain English, so that it may be
affidavit or affidavit for reference purposes, or to be used in the House of
Commons or in any other place of assembly, or to be used in
connection with any audit or audit report, or to be used in
any audit report in India, or to be used in any audit report
of a staff project in India.

94TH CONGRESS
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A BILL

By Mr. PROXIME

February 11, 1975

Read twice and referred to the Committee on
Government Operations

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